

Appendix A: Profiles

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A-1 – Invitees

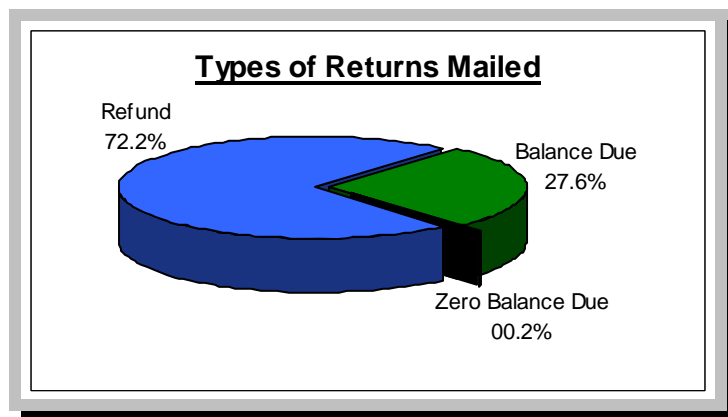
ReadyReturn Information

The 51,850 ReadyReturns we mailed were “simple returns”. However, this does not mean that these were necessarily the lowest-income taxpayers. The **median adjusted gross income (AGI)** for invited taxpayers was **\$31,472**. The **largest AGI** was **\$139,917**.

Based on the tax returns we sent:

- 72.2% of invitees were owed a refund.
- 27.6% had a balance due.
- 00.2% had a zero balance.
- The median refund amount was \$86, while the largest was \$8,797.
- The median balance due amount was \$95, while the largest was \$9,291.

Chart A-1: Types of Returns Mailed



Demographics

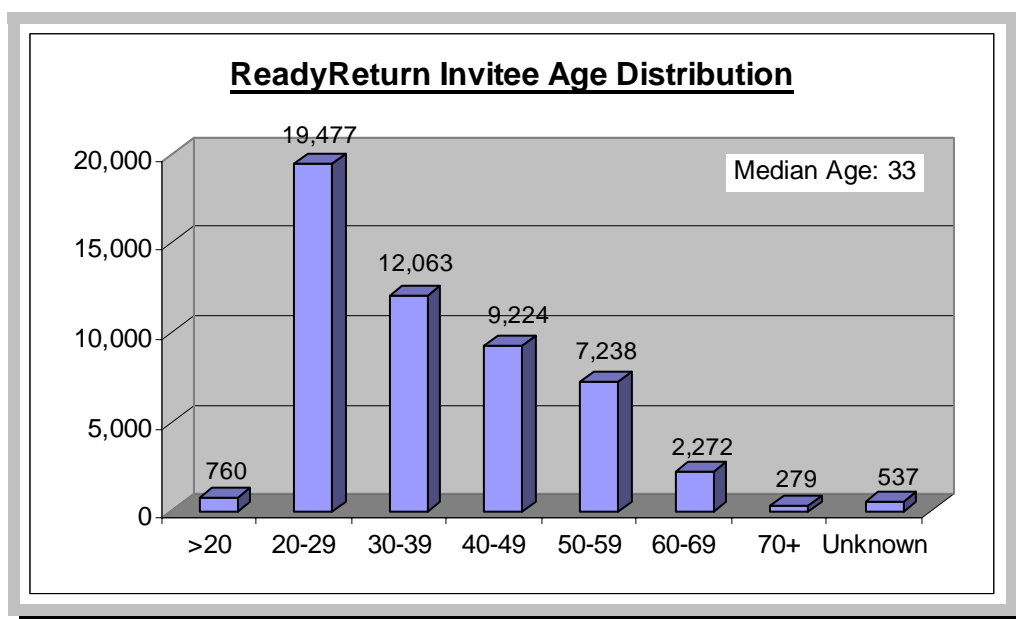
We sent invitations to taxpayers throughout the state. The top five cities closely mirror the largest cities in California:

Table A-1: Top 5 Cities (Invitees)

City	ReadyReturn Rank	Population Rank ¹
Los Angeles	1	1
San Francisco	2	4
San Diego	3	2
Sacramento	4	7
San Jose	5	3

Taxpayers of all ages were invited to participate. The largest group of invited taxpayers was those between the ages of 20 and 29 years old. The median age of taxpayers invited to participate in the ReadyReturn pilot was 33 years old.

Chart A-2: Age Distribution (Invitees)

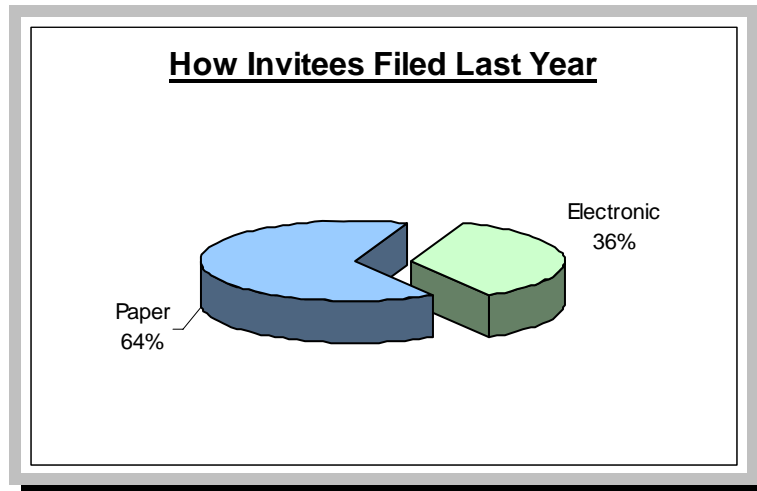


¹ Based on 2003 population data.

Filing History (Tax Year 2003)

Taxpayers invited to participate in the pilot historically used all of the various filing methods available for California returns. Less than 40% chose an electronic method (e-file, TeleFile, and CalFile/NetFile) while the rest filed on paper.

Chart A-3: Filing Method (Invitees)

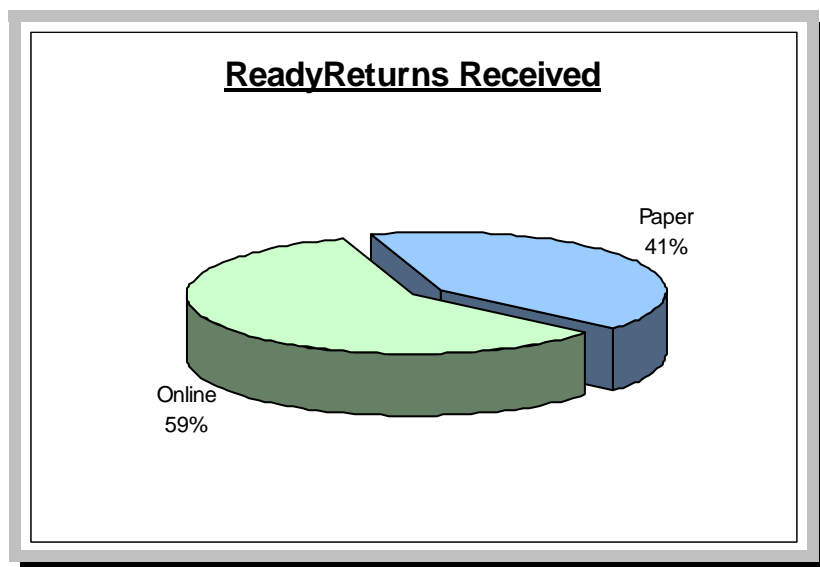


Invitees filed their 2003 tax returns in similar time periods as California taxpayers on the whole, with about 25% filing by mid-February. Forty-five percent of invitees filed their returns between April 1st and the April 15th filing due date. Approximately 5% filed their returns after April 15th.

A-2 – Users

As of May 31, 2005, approximately **9,400 ReadyReturns were filed** by mail and e-file. This is an **18% response rate**. More taxpayers (59%) chose to file their ReadyReturn online at our Website than chose to file the paper return we mailed them.

Chart A-4: Returns Received by Method



Return Information

Based on the ReadyReturns we received:

Table A-2: Return Characteristics (Users)

	e-file	Paper	Total
Received a refund	81%	82%	81%
Median refund amount	\$ 88	\$ 73	\$ 83
Chose Direct Deposit of Refund ²	49%	16%	38%
Had a balance due	19%	8%	16%
Median balance due amount	\$ 77	\$330	\$ 98
Chose to pay electronically ³	53%	N/A	53%
Median Adjusted Gross Income	\$35,241	\$31,640	\$33,998

Ninety-nine percent of taxpayers who used ReadyReturn used the “Single” filing status on their return. One percent changed their filing status to married filing jointly, married filing separately, or head of household. Significantly more taxpayers who used the Website made this change than the rest.

We expected taxpayers to make other changes, in addition to updating their filing status. Approximately 3% of e-filers claimed the Nonrefundable Renters Credit, while less than 0.2% of paper filers did. No ReadyReturn users claimed the Child and Dependent Care Expenses Credit.

² Percent of refund returns with DDR elected.

³ Percent of balance due returns with an electronic funds withdrawal request. It is unknown the number of taxpayers who chose post-filing electronic payment methods, such as credit card payments and FTB’s Web Pay.

ReadyReturn Preliminary Report

140 e-filed ReadyReturns fell out for a fallout rate of 2.5%. Of these:

- ♦ 57 were a second return from the taxpayer for the year.
- ♦ 10 generated a Return Information Notice to the taxpayer.

114 paper ReadyReturns fell out for a fallout rate of 4.5%. Of these:

- ♦ 43 were the second return in.
- ♦ 9 generated a Return Information Notice to the taxpayer.

Demographics

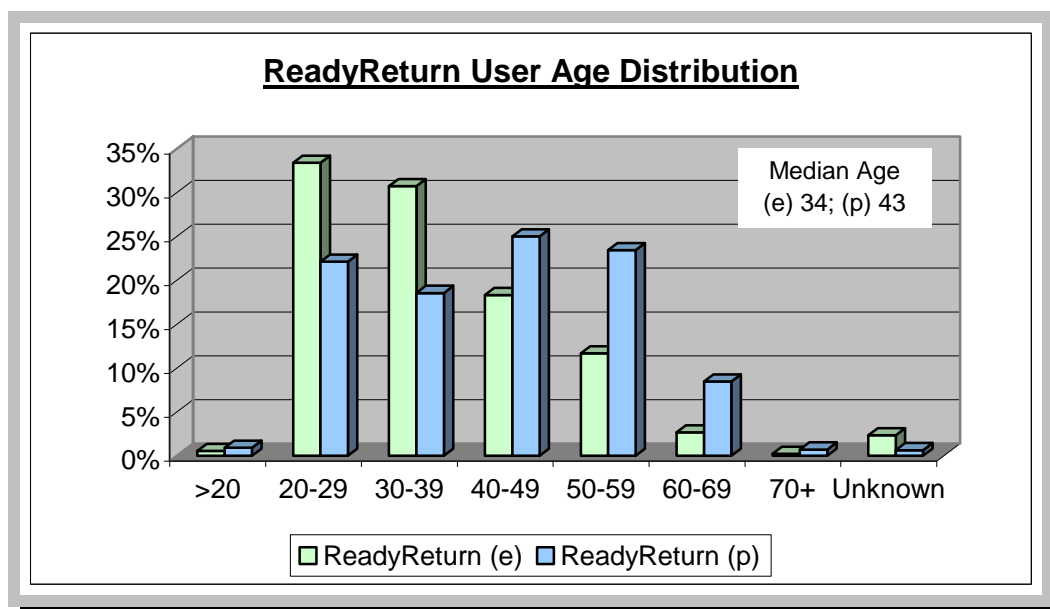
The top cities for e-file and paper ReadyReturn users closely mirror the top cities for invitations:

Table A-3: Top 5 Cities (Users)

City	Invitation Rank	e-file Rank	Paper Rank
Los Angeles	1	3	2
San Francisco	2	1	1
San Diego	3	2	4
Sacramento	4	4	3
San Jose	5	5	5

The median age of taxpayers who used the ReadyReturn Website was 34 years. For paper filers, the median was 43 years.

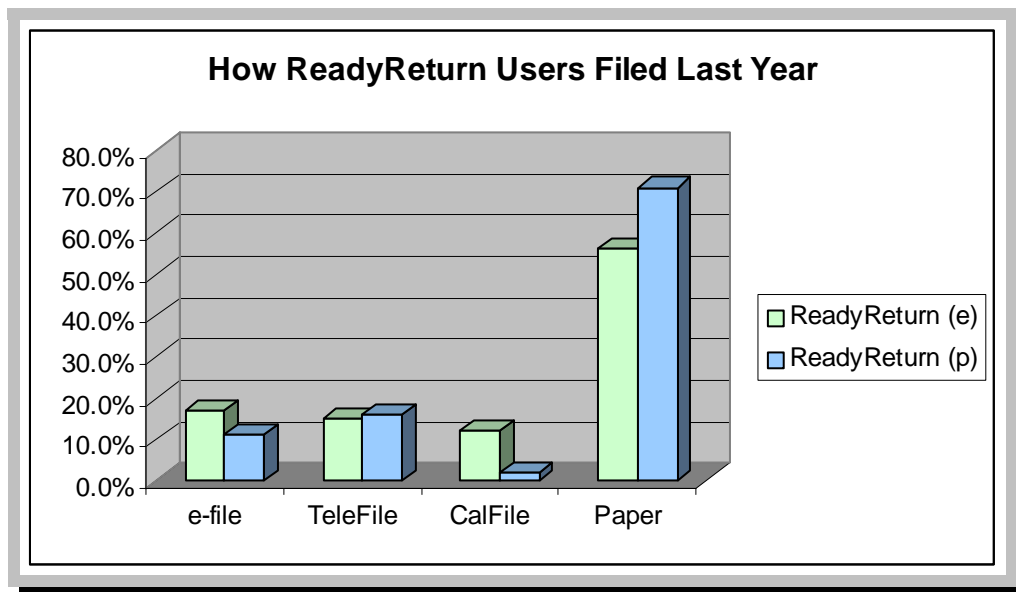
Chart A-5: Age Distribution (Users)



Filing Behavior

The majority (56%) of taxpayers who used the ReadyReturn Website to file their return had filed their 2003 tax return on paper. Ninety percent of all ReadyReturn users had prepared their own 2003 tax return.

Chart A-6: Filing Method (Users)



Because we mailed the ReadyReturn invitations in mid-February, the actual filing dates are a little later than the invitees' history on the whole. The majority of returns filed under both methods were filed in April.

A-3 – Non-Participants

As of May 31, 2005, approximately 35,000 invitees had filed a return other than a ReadyReturn. The remaining 7,000 taxpayers had not filed a return by April 15th⁴. Of those who have filed, 43% chose an electronic filing method while 57% filed on paper.

The volume of non-participants indicates that taxpayers were not intimidated and did not feel they had to accept the filled-in tax return.

Return Information

Based on the returns filed by non-participants:

- 82% of non-participants were owed a refund.
- 12% had a balance due.
- 6% had a zero balance.
- The median refund amount was \$104.
- The median balance due amount was \$125.
- 31% of refunds were distributed through direct deposit.
- The median adjusted gross income was \$30,726.

2,967 e-filed ReadyReturns fell out for a fallout rate of 2.5%. Of these:

- ♦ 109 were a second return from the taxpayer for the year.
- ♦ 1,070 generated a Return Information Notice to the taxpayer.

Demographics

The top cities for non-participants exactly mirror the top cities for invitations:

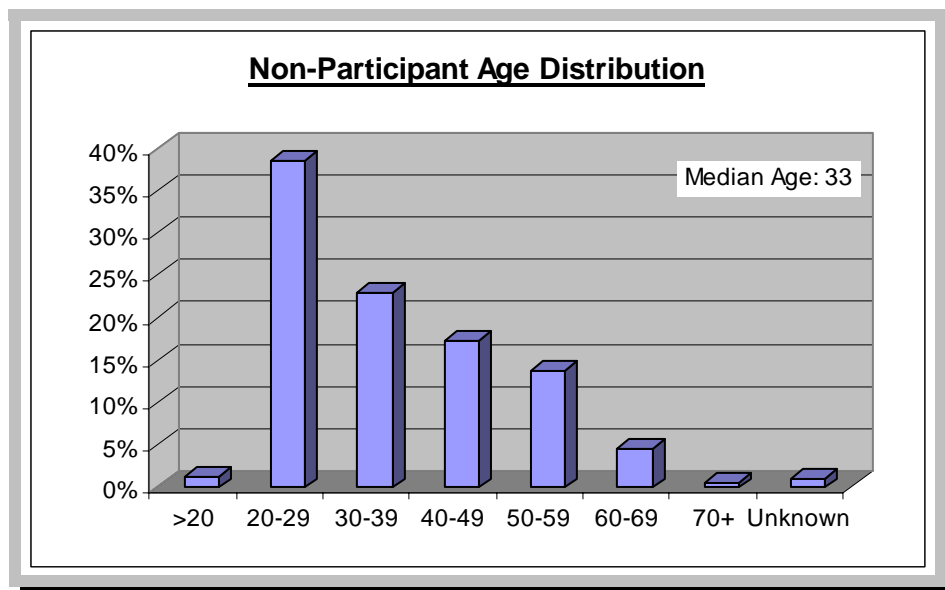
Table A-4: Top 5 Cities (Non-Participants)

City	Invitation Rank	Non-Participant Rank
Los Angeles	1	1
San Francisco	2	2
San Diego	3	3
Sacramento	4	4
San Jose	5	5

⁴ California has an automatic six-month extension of time to file.

The median age of taxpayers who chose not to participate was 33 years, the same as the invitation population.

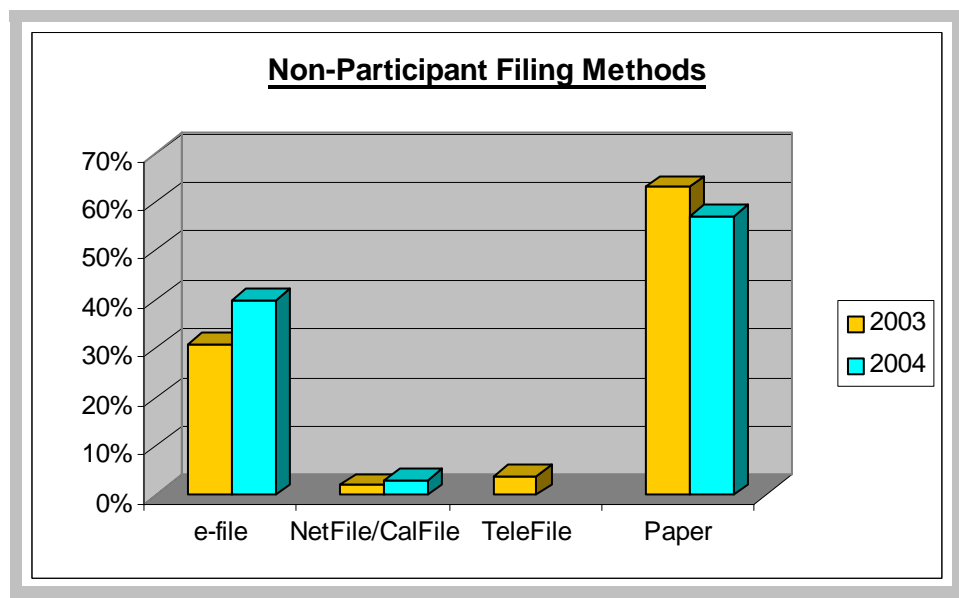
Chart A-7: Age Distribution (Non-Participants)



Filing Behavior

The non-participants showed a slight increase in the use of electronic filing methods for their 2004 returns when compared to their 2003 returns.

Chart A-8: Filing Method (Non-Participants)



Approximately 16% of the non-participants filed before we sent them an invitation. Most of these (85%) were sent to us 10 days or less before the day we sent the invitations. Given the standard paper pipeline processing time, this is an acceptable level of error in eliminating taxpayers who have already filed.

A-4 – Control Group

From the control group of 31,500 taxpayers who qualified for ReadyReturn (but were not invited to participate in the pilot) to make up our control group, we sent surveys to 7,500 taxpayers on May 3, 2005.

As of May 31, 2005, over 84% of the control group had filed their 2004 tax return. Forty-seven percent chose an electronic filing method while 53% filed on paper.

Return Information

Based on the returns filed by the control group:

- 80% of the control group were owed a refund.
- 13% had a balance due.
- 7% had a zero balance.
- The median refund amount was \$100.
- The median balance due amount was \$101.
- 33% of refunds were distributed through direct deposit.
- The median adjusted gross income was \$30,397.

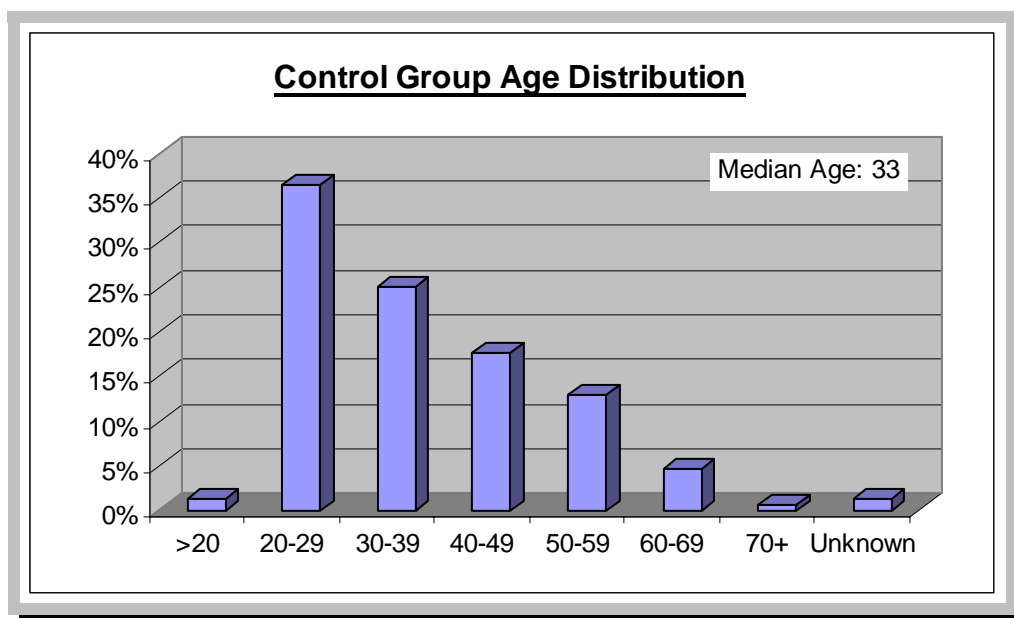
512 e-filed ReadyReturns fell out for a fallout rate of 2.5%. Of these:

- ♦ 9 were a second return from the taxpayer for the year.
- ♦ 237 generated a Return Information Notice to the taxpayer.

Demographics

The median age of the control group was 33 years, the same as the invitation population and non-participant group.

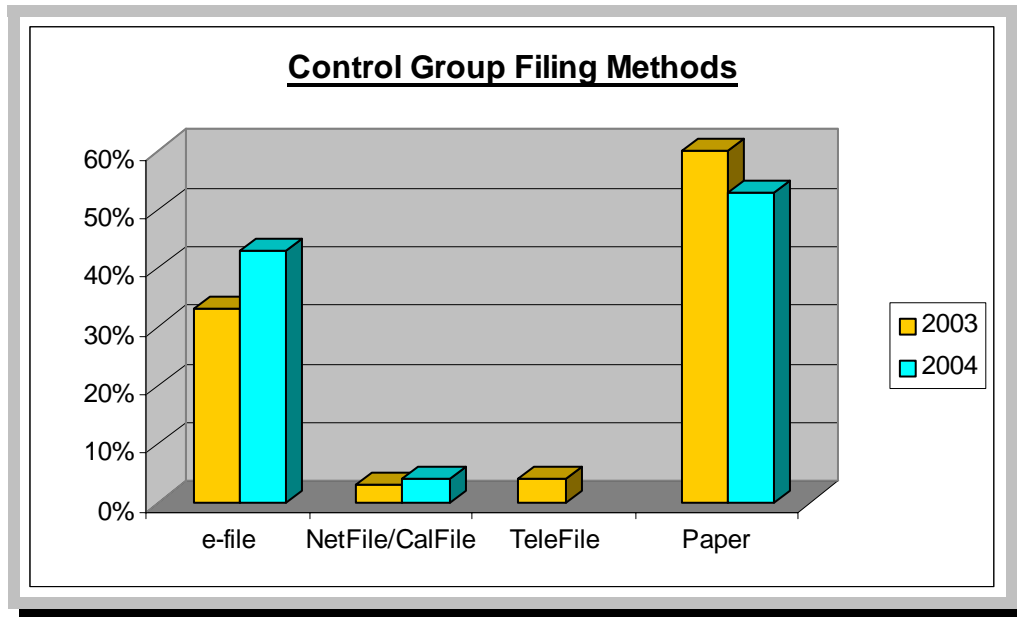
Chart A-9: Age Distribution (Control Group)



Filing Behavior

The control group showed a similar trend toward e-file as the non-participant group did.

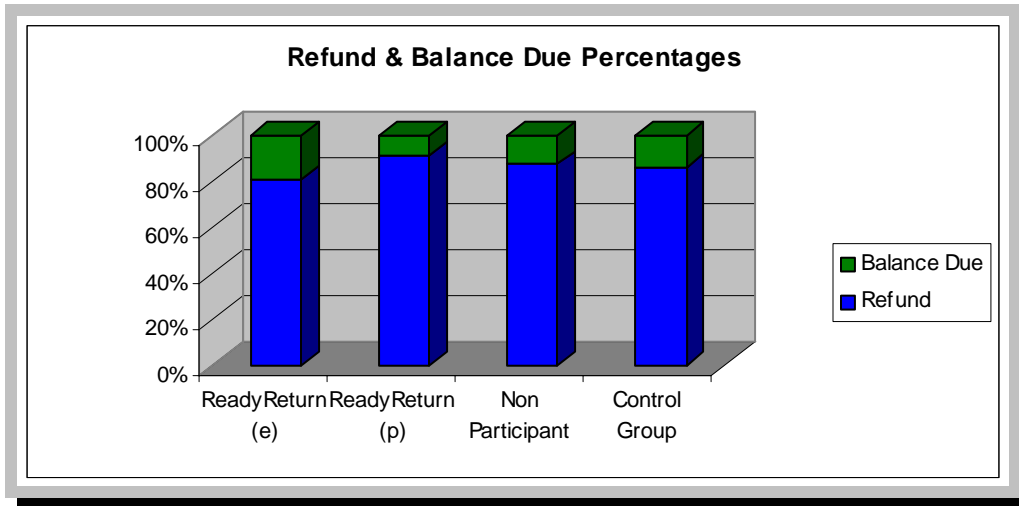
Chart A-10: Filing Method (Control Group)



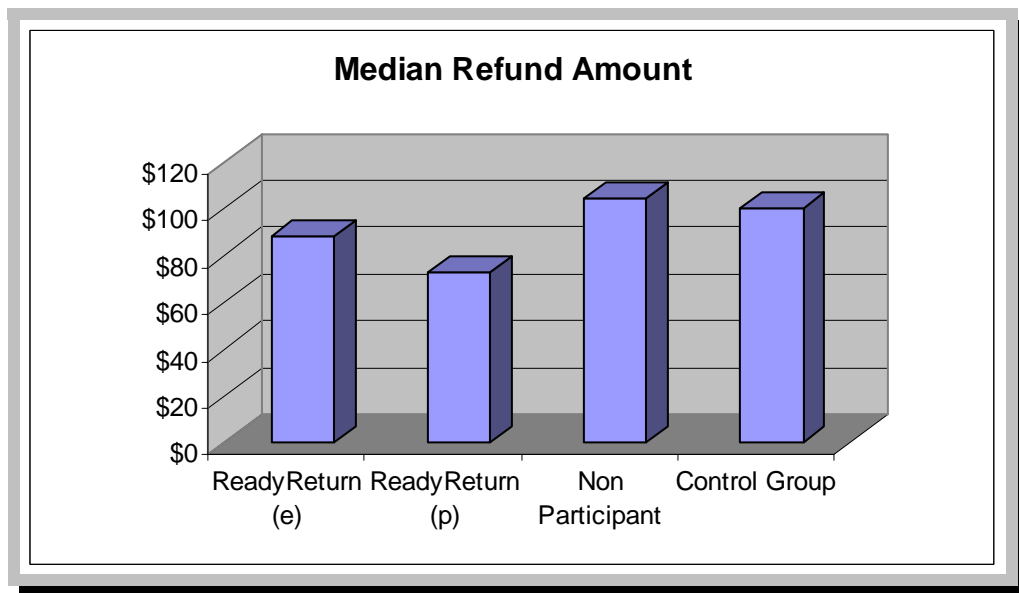
Approximately 20% of the control group filed before the date we would have sent them an invitation.

A-5 – Profile Comparisons

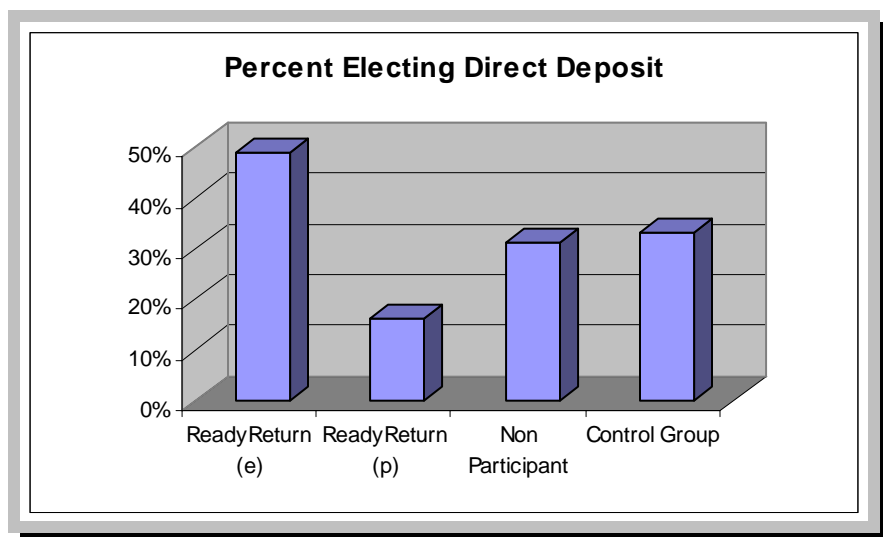
In all groups, more taxpayers received a refund than had a balance due.



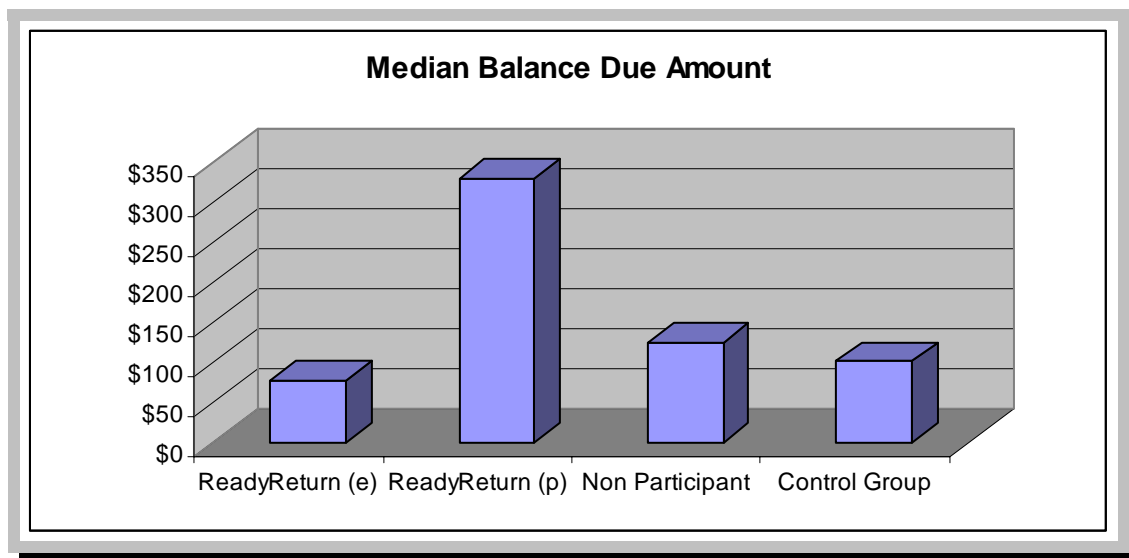
The non-participants had the highest median refund at \$104.00.



Taxpayers who e-filed their ReadyReturns were the most likely to elect to have their refund deposited directly into their bank account.

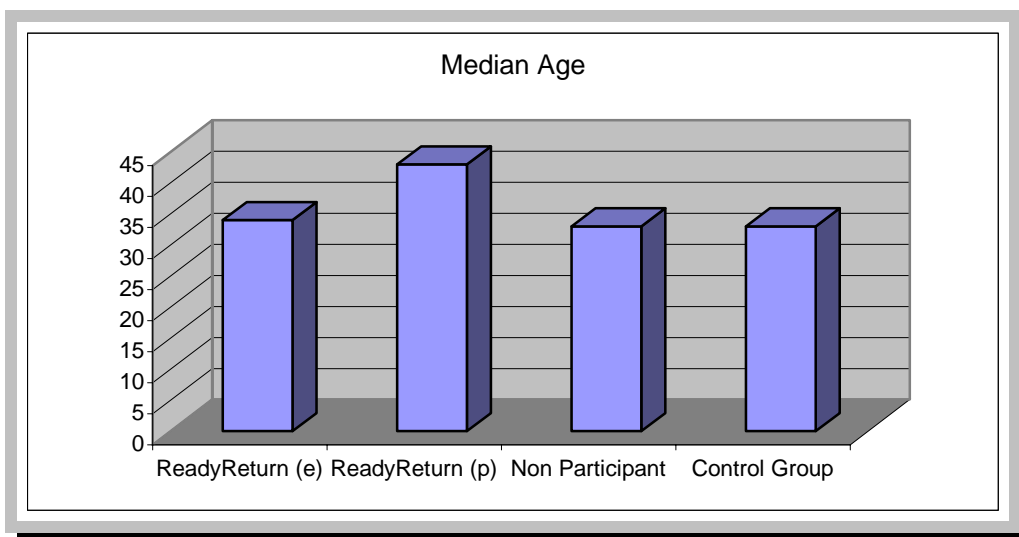


Taxpayers who filed their ReadyReturns on paper had the largest median balance due (\$330), but had the smallest percent of balance due returns (8%).



ReadyReturn Preliminary Report

Taxpayers who filed their ReadyReturns on paper had the highest median age at 43 years. This is the only group whose median age was greater than 40.



The increase in e-file use in 2004 was consistent across all groups.

